

General Government

**Overview for the Governor's Proposed
Amendments to the
2006-2008 Biennial Budget in**

SB 29

and

**The Governor's Proposals for the 2008-2010
Biennial Budget in
SB 30**

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Legislative

There are no changes in the budget, as introduced, for the Legislative Department for fiscal year 2008, when compared to Chapter 847, the appropriation act for the 2006-08 biennium.

Judicial

The budget, as introduced, for the Judicial Department for FY 2008 provides a net increase of \$14.0 million in general funds or 2.0 percent compared to Chapter 847, including total increases of \$15.0 million and total reductions of \$1.0 million. The proposed budget adjusts judicial agency budgets to reflect the October 2007 budget reductions and provides \$15.0 million in additional funds to cover projected expenditures for the Criminal Fund.

- **Supreme Court of Virginia**
 - ***Governor's October 2007 Budget Reductions.*** Includes savings of \$73,000 GF for FY 2008 to implement the October 2007 budget reductions.
 - ***Criminal Fund.*** Includes \$15.0 million GF for FY 2008 to cover projected expenditures of the Criminal Fund.
- **Court of Appeals of Virginia**
 - ***Governor's October 2007 Budget Reductions.*** Includes savings of \$20,000 GF for FY 2008 to implement the October 2007 budget reductions.
- **Circuit Courts**
 - ***Governor's October 2007 Budget Reductions.*** Includes savings of \$15,000 GF for FY 2008 to implement the October 2007 budget reductions.
- **General District Courts**
 - ***Governor's October 2007 Budget Reductions.*** Includes savings of \$270,000 GF for FY 2008 to implement the October 2007 budget reductions.
- **Juvenile and Domestic Relations District Courts**
 - ***Governor's October 2007 Budget Reductions.*** Includes savings of \$177,500 GF for FY 2008 to implement the October 2007 budget reductions.

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- **Combined District Courts**
 - ***Governor's October 2007 Budget Reductions.*** Includes savings of \$75,000 GF for FY 2008 to implement the October 2007 budget reductions.
- **Magistrate System**
 - ***Governor's October 2007 Budget Reductions.*** Includes savings of \$160,000 GF for FY 2008 to implement the October 2007 budget reductions.
- **Judicial Inquiry and Review Commission**
 - ***Governor's October 2007 Budget Reductions.*** Includes savings of \$4,000 GF for FY 2008 to implement the October 2007 budget reductions.
- **Indigent Defense Commission**
 - ***Governor's October 2007 Budget Reductions.*** Includes savings of \$200,000 GF for FY 2008 to implement the October 2007 budget reductions.
- **Virginia Criminal Sentencing Commission**
 - ***Governor's October 2007 Budget Reductions.*** Includes savings of \$5,500 GF for FY 2008 to implement the October 2007 budget reductions.

Executive

There are no increases or decreases in the budget, as introduced for Executive Offices for fiscal year 2008 compared to Chapter 847, other than the October 2006 budget reduction strategies (which are contained in a language amendment in Central Appropriations). These reductions total \$779,280 for the Office of the Governor and Cabinet Offices and \$870,319 for the Office of the Attorney General. In addition, there is a change in the language requirement for the transfer from the Division of Debt Collection to the general fund.

- **Division of Debt Collection**
 - ***Transfer of Collections.*** Eliminates the requirement to transfer \$1.3 million each year to the general fund from debt collected on behalf of state agencies. Beginning

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with the 2004 Appropriations Act, the division has been required to transfer up to 40 percent of the funds it collects on behalf of agencies. This requirement has caused agencies to seek exemptions or find alternative ways to collect debt. As a result, the division has not been able to meet this requirement. Eliminating the transfer requirement is intended to encourage more agencies to utilize the division's services.

Administration

The proposed amendments for the Administration agencies would provide an increase of \$27.8 million GF for FY 2008. Most of the increases are for the Compensation Board, which is proposed to receive an increase of \$27.6 million GF for three amendments: \$14.9 million GF for per diem payments to local and regional jails, \$12.3 million GF to cover a shortfall in the amount budgeted for constitutional officers' VRS retirement contributions, and \$0.4 million GF to staff additional jail space at the Riverside Regional Jail. The introduced budget also recommends \$0.1 million GF for the Department of General Services to begin site work for the civil rights memorial, which will be located in Capitol Square.

- **Compensation Board**

- ***Per Diem Payments to Local and Regional Jails.*** Proposes an additional \$14.9 million GF the second year to compensate local governments for the cost of housing inmates in local jails based on the per day rate.
- ***Constitutional Officers' VRS Shortfall.*** Proposes an additional \$12.3 million GF in the second year to cover a shortfall in the amount budgeted for constitutional officers' VRS retirement contributions. Funding for these costs was omitted from the calculation of the 2006-2008 salary increases. The FY 2007 shortfall of \$4.8 million was addressed by an administrative transfer from FY 2008 to FY 2007, bringing the total shortfall in FY 2008 to \$12.5 million (replace \$4.8 million + \$7.5 million FY 2008 shortfall).
- ***Staff Riverside Regional Jail Expansion.*** Proposes an additional \$0.4 million GF in the second year to staff additional jail space at the Riverside Regional Jail.

- **Department of General Services**

- ***Civil Rights Memorial.*** Proposes \$135,000 GF to begin site work for the civil rights memorial to be located in Capitol Square.

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Finance

The proposed amendments for the Finance secretariat would result in a net decrease of \$71.9 million GF for FY 2008. General fund reductions include \$69.5 million GF to reflect a smaller than expected required deposit to the Revenue Stabilization Fund, and \$2.5 million in the second year to adjust the debt service requirements for currently authorized bond issuances.

Proposed new language for the department of Taxation continues to expand authorized use of funds deposited into the Contractor Collector Fund, and provides for administration of sales tax collections authorized for the Hampton Roads and Northern Virginia Regional Transportation Authorities.

- **Department of Accounts Transfer Payments**

- ***Revenue Stabilization Fund Deposits.*** The Constitution requires that a deposit be made to the Rainy Day Fund when the rate of growth for income and sales tax collections in a fiscal year exceeds the average growth rate for the prior six years. The required deposit is one half of the above average growth for the fiscal year, but the amount in the Fund cannot exceed a Constitutional cap. HB/SB 29 reduces the FY 2008 Rainy Day Fund appropriation by \$69.5 million to reflect a revised calculation of the Fund cap by the Auditor of Public Accounts.

- **Department of Taxation**

- ***Contractor Collector Fund.*** The Tax Department is authorized to hire private collection agencies for the collection of delinquent accounts and to deposit proceeds into the Contractor Collector Special Fund for the purpose of paying collection fees. In recent years, administrative authority for expenditure from the Fund has been broadened to include oversight of the collection agencies, upgrade of collection systems and interfaces, and retention of experts to analyze receivables and collection techniques. HB/SB 29 proposes to further expand the authorized use of Contractor Collector Funds to include upgrading audit functions as well.
- ***Hampton Roads and Northern Virginia Regional Transportation Authorities.*** Language authorizes and appropriates the direct Tax Department cost of administering sales tax collections authorized in HB 3202 of the 2007 Session for the two regional transportation authorities. The direct administrative cost would be deducted from sales tax collections.

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- **Treasury Board**

- ***Adjust Debt Service Funding.*** Proposes a reduction Reduces the general fund amounts required for debt service on outstanding obligations and issuances of currently authorized General Obligation, Virginia College Building Authority, and Virginia Public Building Authority bond projects by \$2.5 million in the second year. The reductions reflect changes in the issuance of bonds, the amounts to be bonded, interest rate assumptions, and refunding and refinancings.

Technology

The Governor's proposed budget for FY 2008 does not include any amendments within the Technology Agencies. Included within the amendments for Central Appropriations is \$439,065 in savings for the Technology Agencies as part of the Governor's Budget Reduction Plan, an appropriation of \$4.9 million GF to eliminate the savings assumed in VITA's FY 2008 appropriation, and \$4.7 million GF to fund agencies for additional cost related to changes in VITA's rate structure.

- **Virginia Information Technologies Agency**

- ***Governor's October 2007 Budget Reductions.*** Assumes savings of \$127,065 GF in FY 2008 from eliminating a vacant position.

- **Innovative Technology Authority**

- ***Governor's October 2007 Budget Reductions.*** Assumes savings of \$312,000 GF in FY 2008 from eliminating one position and reducing grants to organizations that provide entrepreneurial services to fledging technology companies.

Central Appropriations

Proposed amendments to the Central Appropriations result in a net decrease of \$256.9 million GF for FY 2008. This is the net result of a \$272.0 million GF reduction to capture the effect of the October 2007 budget reductions, which are partially offset by increases of \$15.1 million GF.

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The proposed general fund increases include: include \$4.9 million to forgive savings that had been projected to accrue from creation of the Virginia Information Technologies Agency (VITA), \$4.7 million for the general fund share of increases in VITA rates, \$4.0 million for interest earnings and credit card rebates due to institutions of higher education, and an additional \$1.5 million for the Governor's Development Opportunity Fund.

- **FY 2008 Budget Reductions**
 - ***Agency Budget Reductions.*** Proposes a \$272.0 million GF reduction and related language to capture the effect of the October 2007 budget reductions. A detailed list of these reductions is included in Appendix C.
- **Higher Education Interest**
 - ***Higher Education Interest and Charge Card Rebates.*** Proposes an additional \$4.7 million GF in the second year to pay institutions of higher education interest on NGF balances held by the state treasury and a prorated share of rebates received by the Commonwealth on credit card purchases. This action would bring the total appropriated for this purpose in FY 2008 to \$17.4 million GF.
- **Economic Contingency**
 - ***VITA Savings.*** Proposes \$4.9 million GF to forgive savings that had been projected to accrue from creation of the Virginia Information Technologies Agency (VITA).
 - ***VITA Rates.*** Recommends \$4.7 million for the general fund share of increases in the rates charged by VITA under the Northrop Grumman contract for the provision of information technology services.
 - ***Governor's Development Opportunity Fund.*** Proposes an additional \$1.5 million GF the Governor's Development Opportunity Fund. This action would bring the total appropriated for the fund to \$16.6 million GF for the biennium

Independent

No actions in HB/SB 29.

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Legislative

The budget, as introduced, for the Legislative Department for the 2008-10 biennium includes a net increase of \$1.3 million GF or 1.0 percent compared to the adjusted base budget. The proposed changes include actions to address manpower and other requirements for the Division of Capitol Police.

- **Auditor of Public Accounts**
 - ***Position Level.*** Reduces the position level to eliminate 15 FTE positions which are currently not funded.
- **Division of Capitol Police**
 - ***Staffing Requirements.*** Includes \$669,267 the first year and \$682,922 the second year from the general fund to fully fund the current position level; provide additional wage positions for increased security during the General Assembly session; fund increased rent charges; and, support participation of the Capitol Police in the enhanced City of Richmond police radio system.
- **Legislative Department Reversion Clearing Account**
 - ***Transfer to Capitol Police.*** Provides an increase of \$82,350 the first year and a decrease of \$43,995 the second year from the general fund, in order to transfer a net of \$38,355 for the biennium from the reversion clearing account to the Division of Capitol Police to fully fund the authorized position level and other essential agency requirements.

Judicial

The budget, as introduced, for the Judicial Department for the 2008-10 biennium results in an increase of \$30.6 million GF or 3.9 percent above the adjusted base budget. Major increases include an additional \$10.0 million each year to cover projected increases in the Criminal Fund; \$7.9 million and 46 new positions to strengthen the Magistrate System; \$2.0

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million for additional waivers for fees for court-appointed counsel in serious juvenile cases; and, \$800,000 and five positions for foreign language interpreters.

- **Supreme Court of Virginia**

- ***Court-Appointed Attorney Fees.*** Provides \$1.0 million each year from the general fund to expand the waiver program approved by the 2007 General Assembly to include additional compensation for court-appointed attorneys who represent juvenile clients in cases where the charge would be classified as a felony if committed by an adult.
- ***Foreign Language Interpreters.*** Includes \$400,000 and five positions each year from the general fund for interpreters to ensure that non-English speaking parties and criminal defendants have equal access to the courts.
- ***Drug Court Evaluation.*** Provides \$225,000 the first year from nongeneral funds from the Drug Offender Assessment Fund for a comprehensive, statewide evaluation of the effectiveness of each local drug treatment court.
- ***Court Technology Fund.*** Adds \$821,800 from nongeneral funds each year to reflect the actual revenues expected from court fees for this fund.
- ***Information Technology Positions.*** Includes \$329,781 and four positions each year from nongeneral funds, from the Court Technology Fund.
- ***Evidence Recovery Kits.*** Includes language providing for the transfer of up to \$40,000 each year from the Criminal Fund to the Criminal Injuries Compensation Fund, administered by the Virginia Workers' Compensation Commission, for the physical evidence recovery kit (PERK) program.

- **Circuit Courts**

- ***Criminal Fund.*** Provides an additional \$10.0 million GF each year to address projected expenditure increases in all of the courts for the Criminal Fund, including all of the Circuit and District Courts.

- **Virginia State Bar**

- ***Mileage Increase.*** Provides \$60,000 each year from nongeneral funds to reflect increased mileage reimbursement rate.

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- **Magistrate System**
 - ***Improved Staffing, Oversight and Technology.*** Provides \$3.6 million and 35 positions the first year and \$4.3 million and a total of 46 positions the second year, from the general fund, for organizational and technology enhancements in the magistrate system, including the addition of new supervisory and training positions and expanded use of videoconferencing technology.
- **Board of Bar Examiners**
 - ***Member Compensation.*** Provides \$13,082 NGF each year to increase the compensation of the Board and its Character and Fitness Committee.
 - ***Preservation of Pledge Cards.*** Includes \$13,435 NGF each year to preserve, scan and archive the pledge card catalog which has been maintained since 1910. Since that time, every applicant who took the Virginia bar examination signed a pledge card which contained, along with other information, all scores achieved on the examination as well as the date of licensure.
 - ***Web-Based Application Submission System.*** Provides \$19,970 the first year and \$3,880 the second year from nongeneral funds to implement a secure, web-based application system, so that each applicant for the bar examination will be able to submit electronically his or her application and character and fitness questionnaire directly into a proprietary database.
 - ***Essay Test Expert Services.*** Adds \$5,000 NGF each year to increase the compensation for the staff position that prepares, conducts and grades the essay component of the bar examination.
 - ***Data Protection and Recovery.*** Adds \$5,295 the first year and \$3,600 the second year from nongeneral funds to preserve all documentation in a secure off-site location in the event of a disaster, theft or other business interruption.
- **Indigent Defense Commission**
 - ***New Grant Funds.*** Includes \$150,710 each year from nongeneral funds to reflect an anticipated grant for a new summer intern program.
 - ***Increase in Current Grant Support.*** Adds \$5,424 each year from nongeneral funds to reflect an anticipated increase in the current intern grant for the Alexandria Public Defender Office.

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Executive

The budget, as introduced, for Executive Offices for the 2008-10 biennium results in an increase of \$1.0 million GF or 1.6 percent above the adjusted base budget.

- **Office of the Governor**

- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 for a savings of \$18,421 GF each year.
- ***Senior Advisor for Workforce Development.*** Adds \$182,075 NGF each year for the Senior Advisor for Workforce Development, established by Chapters 696 and 751 of the 2006 General Assembly. The source of the nongeneral funds is the administrative support allocation of the federal Workforce Investment Act grant.

- **Attorney General and Department of Law**

- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 for a savings of \$1.1 million GF and an increase of \$0.9 million NGF each year.
- ***Sexually Violent Predator Program.*** Provides \$184,861 the first year, \$201,384 the second year, and two positions each year, from the general fund, for two additional attorneys to manage the doubling of the workload, compared with two years ago, associated with the civil commitment of sexual predators who are being released from prison.
- ***Victim Notification Program.*** Includes \$69,437 the first year, \$75,638 the second year, and one position from the general fund to add an additional program assistant in the victim notification program to work exclusively with the civil commitment of sexually violent predators. This position will assist in locating and supporting victims of sexual offenses whose cases are under consideration in the civil commitment process.
- ***Crime Investigation.*** Provides \$78,934 the first year, \$85,692 the second year, and one position from the general fund to replace federal grant funds which are expiring for a crime analyst who supports the Special Prosecutions and Organized Crime Section. This position assists in the prosecution of gang crimes committed in Virginia's prisons, money laundering, and other offenses.

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- **Information Security.** Adds \$147,845 GF and \$98,563 NGF the first year, and \$120,714 GF and \$83,886 NGF the second year, and one position for information technology security.

- **Division of Debt Collection**

- **Transfers to the General Fund.** Eliminates outdated language which required the division to transfer specified amounts of funds collected on behalf of state agencies to the general fund. The effect of this language, which was based on unrealistic expectations of the amounts which would actually be collected, was to discourage state agencies from using the services of the division.

- **Secretary of the Commonwealth**

- **Postage Costs.** Provides \$65,000 each year from the general fund to reflect the June 2007 rate increases adopted by the United States Postal Service.

- **Virginia Enterprise Applications Program (VEAP) Office**

- **Line of Credit.** Increases the agency's working capital advance threshold from \$20.0 to \$30.0 million, to fund projects approved by the Information Technology Investment Board using anticipated revenues from enhanced tax collections and cost recoveries as collateral.
- **Eliminate One-Time Funding.** Removes \$4.4 million GF each year for the design of new budget and financial systems.

- **Office of Commonwealth Preparedness**

- **Governor's October 2007 Budget Reductions.** Continues the strategies announced in October 2007 for a savings of \$70,455 GF and an increase of \$65,000 NGF each year.

- **Interstate Organization Contributions**

- **Membership Assessments.** Provides \$29,115 the first year and \$37,067 the second year from the general fund for increased membership fees for the National Association of State Budget Officers, National Governors Association, Southern Governors Association, and Southern Growth Policies Board.

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Administration

The Governor's proposed amendments for the Office of Administration include a net increase of \$39.0 million in general fund dollars and \$3.6 million nongeneral fund compared to the adjusted base budget. This results in a 2.8 percent increase in general funds for the Office of Administration above the adjusted base. The \$39.0 million increase includes \$58.4 million in additional funding offset by \$19.4 million in spending reductions.

The Compensation Board budget includes \$29.7 million GF in additional funding for jail per diems and \$20.5 million GF to fund staff at new jails. The budget also includes \$6.0 million GF to reimburse localities and regional jails for increased retirement costs from providing enhanced retirement benefits to jail correctional officers under the Law Enforcement Officers Retirement System. The spending reductions included in the Compensation Board include \$5.6 million in savings from removing the exemption from overhead cost recovery that was provided to four jails and \$3.1 million in savings from requiring localities to fund 50 percent of the liability insurance and bond premiums for constitutional officers.

The budget also includes \$3.7 million NGF for the Department of General Services (DGS) related to a proposal to transfer responsibility for information technology procurement from the Virginia Information Technologies Agency to DGS. The budget for DGS also assumes savings from closing the Division of Consolidated Laboratory Services' Abingdon laboratory, resulting in the layoff of seven full-time and one part-time staff. Under the proposed budget, the Department of Charitable Gaming is merged into the Department of Agriculture and Consumer Services.

- **Secretary of Administration**

- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 contained in the Governor's introduced budget for 2008 for a savings of \$180,983 GF each year.

- **Compensation Board**

- ***Per Diem Payments to Local and Regional Jails.*** Includes \$14.9 million GF each year to compensate local governments for the cost of housing inmates in local jails based on the per day rate.
- ***Staff New Jails and Expansion.*** Provides \$3.5 million GF the first year and \$17.0 million GF the second year for staffing costs in new and expanded jails. Funding is needed for additional staffing at the Newport News Jail, the Prince William/Manassas Jail, Rappahannock Regional Jail, Western Virginia Regional Jail, and the Riverside Regional Jail.

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- ***Funding to Sheriffs' Deputies Retirement Cost.*** Includes \$2.0 million GF in the first year and \$4.0 million GF the second year to provide increased reimbursements to localities and regional jails for costs incurred from providing enhanced retirement benefits to deputy sheriffs and jail officers. Senate Bill 1166 of the 2007 General Assembly session requires localities to provide these enhanced benefits to deputy sheriffs and jail officers no later than July 1, 2008. The provision of these benefits is optional for regional jails.
- ***Implement Operational Efficiencies.*** Reduces the budget by \$93,051 GF the first year and \$344,121 GF the second year from operational efficiencies at the Compensation Board. Three positions are eliminated through these efficiencies.
- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 contained in the Governor's introduced budget for 2008 for a savings of \$909,567 GF each year.
- ***Continue Savings Related to Vacancies.*** Assumes \$1.3 million GF in savings from continuing the requirement that clerks, treasurers, finance directors and commissioners of revenue keep vacant positions unstaffed for at least 90 days prior to filling the positions. This initiative was part of the October 2007 budget reduction plan but it was originally approved as a one-time savings for FY 2008.
- ***Remove Exemption from Overhead Recovery.*** Reflects savings of \$2.8 million GF each year of the biennium from removing the overhead recovery exemption provided to the Northern Neck Regional Jail, Piedmont Regional Jail, Central Virginia Regional Jail, and the Alexandria Jail. This action reduces the amount of state funding required for per diem reimbursements in these jails.
- ***Adjust Retiree Health Credit Premium Payments.*** Assumes \$402,725 GF savings in each year of the biennium from requiring localities to fund 50 percent of the cost of the retiree health care credit premium for constitutional officers and their staff.
- ***Adjust Liability Insurance and Bond Premium Payments.*** Reflects savings of \$1.6 million GF in each year of the biennium from requiring localities to fund 50 percent of the cost liability insurance and bond premium payments for constitutional officers.
- **Department of General Services**
 - ***Increase Position Level for DGS.*** Increases the number of authorized positions for the Department by 16 FTEs due to increased workload in the Division of Real Estate Services and state mail services as well as the proposal to transfer responsibility for the Virginia Election Registration and Information system from the State Board of Election to DGS.

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- ***Transfer Information Technology Procurement to the Department.*** Provides \$1.9 million NGF the first year and \$1.8 million NGF the second year, and 16 positions, related to the proposal to transfer responsibility for information technology procurement from the Virginia Information Technologies Agency to DGS.
- ***Fund Replacement of Laboratory Equipment.*** Proposes \$269,900 GF in the first year and \$622,900 GF the second year to replace laboratory equipment that is older than the five to seven year life expectancy of the equipment.
- ***Increased Funding for Government Mail Services.*** Includes \$143,212 GF in each year of the biennium to support the current system of government mail services provided by DGS.
- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 contained in the Governor's introduced budget for 2008 for a savings of \$705,000 GF and an increase of \$404,000 NGF each year.
- ***Close Division of Consolidated Laboratory Services' Abingdon Laboratory.*** Proposes a savings of \$199,333 GF the first year and \$427,362 GF the second year from closing the Abingdon Laboratory. This proposal results in the lay-off of seven full time staff and one part time employee.
- ***Transfer Oversight of the Virginia War Memorial to the Department of Veterans Services.*** Reduces DGS budget by \$430,174 GF in each year, and three staff, from transferring the staff to the Department of Veterans Services which will assume responsibility for overseeing the Virginia War Memorial.
- **Department of Human Resources Management**
 - ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 contained in the Governor's introduced budget for 2008 for a savings of \$203,550 GF each year.
 - ***Increase NGF appropriation for Flexible Spending Account Administration.*** Provides \$350,000 NGF in each year of the biennium needed for administrative costs incurred in the administration of the medical and childcare flexible spending accounts.
- **Department of Minority Business Enterprise**
 - ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 contained in the Governor's introduced budget for 2008 for a savings of \$37,491 GF each year.

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- **State Board of Elections**

- ***Adjust Federal Help America Vote Act.*** Reduces the NGF appropriation for the SBE by \$5.0 million the first year and \$10.0 million the second year to reflect decreases in the amount of federal grants that are expected to be received under the Help America Vote Act, which helps states modernize and improve their voting systems.
- ***Advertising Requirements Associated with the General Obligation Bond Referendum.*** Includes \$200,000 GF in the first year for the State Board of Elections to advertise the general obligation bond referendum that has been proposed by the Governor for consideration by the voters during the November 2008 election. The funds will be a one-time cost.
- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 contained in the Governor's introduced budget for 2008 for a savings of \$546,431 GF and an increase of \$35,430 NGF each year.

- **Department of Charitable Gaming**

- ***Consolidate the Department of Charitable Gaming with the Department of Agriculture and Consumer Services.*** Proposes to consolidate the two agencies into one, the Department of Agriculture and Consumer Services. The proposed consolidation results in a savings of \$100,198 GF each year and a reduction of one staff.

Finance

The proposed amendments for the Finance secretariat include \$208.7 million in additional general funds and \$0.1 million in additional nongeneral funds for the biennium above the base budget.

Proposed general fund spending includes \$21.3 million in the second year for the constitutionally-mandated deposit to the Revenue Stabilization Fund required by Article X, Section 8 of the Constitution of Virginia; and \$198.1 million in additional debt service for current and new obligations.

In addition, the proposed amendments include numerous savings proposals within the secretariat. These savings proposals include two addenda to reduce transfer payments to localities for ABC profits and wine taxes by \$15.9 million and a reduction at the Department of

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Taxation of \$1.3 million for savings related to changes in the rate structure charged by the Virginia Information Technologies Agency.

- **Department of Accounts**

- ***Staffing to Support Information Technology Security Audit Standards for Small Agencies.*** Includes \$318,870 GF in the first year and \$363,594 in the second year to establish a section, with two staff, which will assist small agencies with the support needed to comply with recently issued security standards for their information technology.
- ***Increase Positions in Payroll Service Bureau.*** Provides four additional personnel for the payroll service bureau which recently assumed responsibility for the payroll functions for the Department of Motor Vehicles.
- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 contained in the Governor's introduced budget for 2008 for a savings of \$201,957 GF each year.

- **Department of Accounts Transfer Payments**

- ***Revenue Stabilization Fund Deposits.*** Includes a technical amendment that removes the \$184.3 million deposit that was assumed in Chapter 847 for FY 2008 from the base for each year and budgets a \$21.3 million deposit into the "Rainy Day Fund" in FY 2009. No deposit is required in FY 2010 based on current revenue projections.
 - ? At the end of FY 2009, the Revenue Stabilization Fund balance is projected to be \$1.653 billion with interest payments increasing the balance to \$1.215 billion by the end of FY 2010.
- ***Limit Alcohol Beverage Control Profits Transfers to Towns.*** Reduces the general fund distributions paid to localities for such alcohol beverage control profits by \$3.9 million GF each year by limiting the transfers to towns. Under this proposal these transfers would no longer be made to counties and cities.
- ***Limit Wine Taxes Transfers to Towns.*** Reduces the general fund distributions paid to localities for wine taxes by \$4.1 million GF each year by limiting the transfers to towns. Under this proposal these transfers would no longer be made to counties and cities.
- ***Additional Funding for Line of Duty Benefits.*** Includes \$1.3 million GF in the first year and \$2.6 million the second year to begin funding Line of Duty benefits on an actuarial basis.

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- **Department of Planning and Budget**
 - ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 contained in the Governor's introduced budget for 2008 for a savings of \$410,042 GF each year of the biennium.
 - ***Establish Finance Management Training Program.*** Provides \$287,767 GF the first year and \$366,947 GF the second year to establish a finance intern program with five positions. Over a two year period the interns will rotate through DPB, Tax, DOA, Treasury, APA, JLARC, Senate Finance and House Appropriations.
- **Department of Taxation**
 - ***Increased Funding for Postage Cost.*** Includes \$340,000 GF in each year for increased postage costs related to recent rate increases by the US postal service. The Department of Taxation sends over eight million pieces of mail a year.
 - ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 contained in the Governor's introduced budget for 2008 for a savings of \$4.4 million GF in the first year and \$3.9 million GF in the second year.
 - ***Reflect Savings Attributable to Changes in the Rate Structure for the Virginia Information Technologies Agency.*** Assumes savings of \$658,802 GF each year for the Tax Department related to changes in the rate structure for services provided by the Virginia Information Technologies Agency. The new rate structure will reduce expenditures at the Tax Department and some other agencies but will result in a net increase for agencies in total. Funding is included in central appropriations for the agencies that will incur increased cost due to the new rate structure.
 - ***Administer the New Locally Motor Vehicle Taxes.*** Includes language allowing the Department of Taxation to recover its direct cost related to administering the new Motor Vehicle Fuel Sales Tax under the Hampton Roads Transportation Authority, and the new sales and use tax on motor vehicle repairs under the Hampton Roads Transportation Authority and the Northern Virginia Transportation Authority.
- **Department of the Treasury**
 - ***Increased Funding for Postage Cost.*** Includes \$113,850 GF in each year for increased postage costs related to recent rate increases by the US postal service.
 - ***Appropriation for Increased Charges by the Virginia Information Technologies Agency.*** Provides \$119,000 in nongeneral funds in each year for increased cost

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related to changes in the rate structure for services provided by the Virginia Information Technologies Agency.

- ***Funding for Unclaimed Property Compliance Services and Securities Portfolio Custody Services.*** Increases the nongeneral fund appropriation by \$200,000 each year of the biennium to reflect increases in stock portfolio and mutual fund holdings and three new compliance services contract.
- ***Reduction in Check Processing Costs.*** Reduces the nongeneral fund appropriation by \$304,755 each year of the biennium to reflect decreases in check processing costs due to the Virginia Employment Commission, which process unemployment checks, and the Department of Social Services, which processes child support checks, switching to paycards for these services.
- ***Fund Costs for Administration of Local Government Investment Pool.*** Includes \$71,092 NGF in the first year and \$75,920 NGF the second year to fund an additional staff person for the Local Government Investment Pool.
- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 contained in the Governor's introduced budget for 2008 for a savings of \$442,000 GF in each year of the biennium.

- **Treasury Board**

- ***Adjust Debt Service Funding.*** Increases the general fund amounts required for debt service on outstanding obligations and issuances of currently authorized General Obligation, Virginia College Building Authority (VCBA), and Virginia Public Building Authority bond projects by \$54.9 million in the first year and \$84.5 million in the second year. The increases are also based on the assumption of \$50 million in additional VCBA equipment authorization each year.
- ***Debt Service for New Issuances.*** Proposes \$42.4 million general fund in the second year for debt service on new authorizations and issuances which have been proposed as part of the capital bond program for the 2008-2010 biennium.
- ***Higher Education Equipment Trust Fund.*** Recommends \$12.9 million GF for lease payments on \$57.9 million in equipment allocations from the Higher Education Equipment Trust Fund in each year of the biennium. An additional \$3.4 million is proposed in FY 2010 for lease payments on \$15 million of additional allocations from the trust fund for the proposed research program. No distribution of the equipment are detailed, allocations will be awarded by a research committee.

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Technology

The Governor's proposed amendments for the Office of Technology include \$9.4 million in additional general fund dollars above the adjusted base budget. The proposed amendments for Technology include \$9.9 million GF to eliminate the operational efficiency savings assumed in VITA's budget and \$250,000 GF in one-time funding for economic development efforts in the regions adjacent to the Chesapeake Bay. Other amendments continue savings initiatives included in the October budget 2007 reductions and replace GF appropriations at VITA with special fund revenues.

- **Secretary of Technology**
 - ***Funding for Interstate Economic Development Efforts.*** Includes \$250,000 GF in the first year for the Community Foundation for the National Capital Region, a charitable organization that promotes economic development in the Chesapeake Bay region, from Baltimore to Tidewater.
 - ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 for a savings of \$55,642 GF each year.
- **Virginia Information Technologies Agency**
 - ***Remove Savings Assumed in Current Budget.*** Provides \$4.9 million GF in each year of the biennium to eliminate savings that was assumed in the budget for operational efficiency from the centralization of technology services through VITA.
 - ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 for a savings of \$127,000 GF each year.
 - ***Transfer Information Technology Procurement Responsibilities to the Department of General Services.*** Reduces VITA's budget by \$2.0 million NGF each year of the biennium and 17 positions from a proposal to transfer responsibility for IT procurement from VITA to the Department of General Services.
 - ***Transfer Emergency-911 program to the Department of Emergency Management.*** Reduces VITA's budget by \$49.8 million NGF in the first year and \$48.1 million NGF in the second year and 10 positions from the proposal to transfer responsibility for management of the Emergency-911 program from VITA to the Department of Emergency Management.
 - ***Eliminate Nongeneral Fund Appropriation for Virginia Information Providers Network.*** Reduces VITA's NGF appropriation by \$6.3 million each year of the

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biennium. Responsibility for managing the Virginia Information Providers Network has been outsourced and VITA receives only a nominal amount of the revenue from the management of the network; these revenues are now recorded as part of VITA internal service fund.

- ***Implement New Fee Structure for Virginia Geographic Information Network.*** Reduces VITA's appropriation by \$344,334 general fund in each year of the biennium from the implementation of a new fee structure. There is a companion amendment that increases VITA's dedicated special revenue fund appropriation by \$763,163 NGF each year of the biennium to reflect the increase in special fund revenues from the new rate structure.
- ***Increase Special Fund Appropriation for the Acquisition Services Special Fund.*** Increases VITA's appropriation by \$1.7 million NGF both years of the biennium to reflect projected revenues and expenses from the Acquisition Services special fund, which is used to finance procurement and contracting activities.
- **Innovative Technology Authority**
 - ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 for a savings of \$312,000 GF each year.

Central Appropriations

Proposed general fund increases in Central Appropriations include: \$171.0 million for salaries and benefits for state employees and state-supported local employees; \$21.3 million for increases in the costs of intra-governmental services; \$25.0 million to assist localities with the costs of military base realignments and closures; \$17.7 million to provide economic development incentives for SRI and for Rolls-Royce; \$4.0 million to pay institutions of higher education interest on NGF balances held by the state treasury and a prorated share of rebates received by the Commonwealth on credit card purchases, and \$1.5 million to support a Productivity Investment Fund.

The \$171.0 million proposed for increased employee compensation includes: \$122.0 million to support a 3.0 percent salary increase in the second year for state classified employees, faculty, and state-supported local employees; \$33.9 million for the increased cost of state employee health insurance; \$12.3 million for increases in the cost of VRS retirement rates; and \$2.8 million for increases in the cost of providing Workers' Compensation insurance for state employees.

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General fund decreases in Central Appropriations total \$82.3 million. These reflect technical adjustments to move \$63.3 million GF to Secretary of Commerce and Trade for four on-going economic development programs that have been traditionally budgeted to the Central Appropriations, a reduction of \$12.7 million for higher education interest and charge card rebates, \$5.9 million for savings in State employee group life insurance, and a decrease of \$0.4 million in the rates for the state employee disability program.

- **Higher Education Interest**
 - ***Higher Education Interest and Charge Card Rebates.*** Proposes an additional \$4.0 million GF in the first year to pay institutions of higher education interest on NGF balances held by the state treasury and a prorated share of rebates received by the Commonwealth on credit card purchases. A reduction of \$12.7 million GF is proposed in the second year.
- **Planning Budgeting and Evaluation**
 - ***Productivity Investment Fund.*** Proposes \$1.5 million GF in the second year to support a Productivity Investment Fund.
- **Compensation Supplements**
 - ***Classified Employee Salaries.*** Proposes \$65.9 million GF the second year to support a 3.0 percent salary increase for state classified employees on July 1, 2009.
 - ***State-Supported Local Employee Salaries.*** Proposes \$29.7 million GF the second year to support a 3.0 percent salary increase for state-supported local employees on July 1, 2009.
 - ***Faculty Salaries.*** Recommends \$26.6 million GF the second year to support a 3.0 percent average salary increase for college and university faculty on July 1, 2009. The actual average increase would vary by institution.
 - ***Teacher Salaries.*** Funding of \$132.1 million GF is proposed under Direct Aid for Public Education to support a salary increase of 3.0 percent for local school staff and 3.5 percent for local teachers and instructional staff effective July 1, 2009
 - ***Employer Health Insurance Premium Increases.*** Proposes an additional \$19.1 million GF in the first year and \$14.8 million GF in the second year to fund the employers' share of the increase in health insurance premiums effective July 1, 2007. This funds a 4.8 percent increase for the current program and a slightly expanded wellness benefit.

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- ***State Employee Workers' Compensation Premium Increases.*** Recommends an increase of \$19.1 million GF in the first year and \$14.8 million GF in the second year to fund the employers' share of the increase in health insurance premiums effective July 1, 2007. This funds a 4.8 percent increase for the current program and a slightly expanded wellness benefit.
- ***Virginia Retirement System Employer Contribution Rates.*** Proposes \$4.4 million GF the first year and \$4.6 million GF the second year to fund the revised employer contribution rates for the VRS state employee retirement system, the State Police Officers Retirement System (SPORS), the Virginia Law Officers Retirement System (VaLORS), and the Judicial Retirement System (JRS).

The Virginia Retirement System Board of Trustees certified rates based on a valuation of assets and liabilities using and assumed investment return of 7.5 percent, a cost-of-living increase of 2.5 percent, and an amortization period of 20 years. However, budget language establishes the employer contribution rates based on a valuation of assets and liabilities using an assumed investment return of 8.0 percent, a cost-of-living increase of 3.0 percent, and an amortization period of 24 years. These are the same assumptions used in the budget for FY 2008.

- ***VRS Contribution Rates for Constitutional Officers.*** Proposes \$1.6 million GF the first year and \$1.6 million GF the second year to fund the revised employer contribution rates for locally elected constitutional officers.
- ***VRS Group Life Insurance.*** Proposes savings of \$2.9 million GF the first year and \$3.0 million GF the second year in the employer premiums for state employee group life insurance.
- ***State Employee Disability Program (VSDP).*** Proposes savings of \$0.2 million GF the first year and \$0.2 million GF the second year in the employer premiums for state employee disability program (VSDP).

- **Economic Contingency**

Governor's Development Opportunity Fund

- ***Appropriation Realignment.*** The budget, as introduced, proposes to relocate the \$15.1 million GF appropriation for the Governor's Development Opportunity Fund to the Secretary of Commerce and Trade.

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Economic Development Assistance

- ***Appropriation Realignments.*** The budget, as introduced, proposes to relocate the appropriations for three economic development programs that have been traditionally included in the Central Appropriations' Payments for Special or Unanticipated Expenses program to other areas of the budget. Changes to the proposed appropriations for these items are explained under the Office of Commerce and Trade.

Proposed Realignment of Economic Development Programs				
Title	2008-2010 Base Budget	Realigned to	2008-2010 GF	Change
Semi-Conductor Grants	\$ 7.4	Sec. of Comm. & Trade	\$3.7	\$ (3.7)
Semi-Conductor Grants II	38.5	Sec. of Comm. & Trade	34.2	(4.3)
Investment Performance Grant	<u>2.3</u>	Sec. of Comm. & Trade	<u>3.6</u>	<u>1.3</u>
Total	\$ 48.2		\$ 41.5	\$ (6.7)

- ***Incentive Payments to SRI International.*** Recommends \$5.0 million GF in the first year and \$2.0 million in the second year in economic development incentive payments to SRI International to locate its East Coast operations to focus initially on biosciences in the Harrisonburg area. The General Assembly appropriated funds for the project in 2006 and 2007. This represents the final payment to SRI International and completes the Commonwealth's obligations under Chapter 693 of the *Code of Virginia*.

GF Appropriations for SRI	
Year	GF Appropriation
2006 CTRF	\$ 3.00
2007	12.00
2008 (Proposed)	<u>7.00</u>
Total	\$ 22.00

- ***Incentive for Rolls Royce.*** Proposes \$1.3 million GF in the first year and \$9.4 million in the second year as part of an economic development incentive package

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for Rolls Royce to locate an aerospace engineering and manufacturing facility in Prince George County. Of these funds, \$8.6 million is for Higher Education Grant Payments to the University of Virginia and Virginia Tech, with the balance of funding to be used for training programs and project management. An additional \$6.0 million of funding proposed in the Governor's Opportunity Fund is also dedicated to this project in the biennium. These payments are part of a larger 20-year, \$108.0 million commitment to Rolls-Royce.

Base Realignment and Closure (BRAC) Assistance

- ***BRAC Assistance.*** Proposes an appropriation of \$7.5 million GF in the first year and \$17.5 million to assist localities with the costs of military base realignments and closures.

Undistributed Support

- ***VITA Rates.*** Recommends \$9.5 million GF the first year and \$9.5 million GF the second year for increases in the rates charged by VITA to state agencies under the Northrop Grumman contract for the provision of information technology services.
- ***VITA Rates.*** Proposes an additional 1.2 million GF the first year and \$1.1 million GF the second year for increase in rental charges by the Department of General Services for office space at the seat of government, in Richmond.

- **Tobacco Settlement**

- ***Tobacco Settlement and Revitalization Fund.*** Proposes an increase of \$45.1 million NGF in the first year and \$45.3 million NGF in the second year to adjust the appropriation for the Tobacco Indemnification and Community Revitalization Fund and the Tobacco Settlement Fund to securitization of the Commonwealth's allocation of the 1998 Master Settlement Agreement.

Independent

The Governor's proposed amendments for the Independent Agencies result in a net increase of \$40.8 million NGF appropriation compared to the adjusted base budget.

Much of the increase, \$19.8 million, is in the budget for the Virginia Retirement System. The budget provides the Virginia Retirement System (VRS) \$12.9 million for the VRS modernization project and \$6.5 million to move the administration of certain investment assets

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from external fund managers to in-house staff. The budget also increases the appropriation for the State Corporation Commission by \$18.9 million to reflect projected increases in deposits into the Uninsured Motorist Fund.

- **Virginia Retirement System**

- ***Establish an Additional In-House Investment Program.*** Includes \$3.3 million NGF each year and ten positions for the VRS to move the administration of certain investment assets from external fund managers to VRS in-house staff. This proposal is expected to result in significant cost savings for the fund and reduced risk for the investment fund.
- ***VRS Modernization Project.*** Includes \$4.7 million NGF and one position in the first year and \$8.2 million in the second year, with a second additional staff person, to support the continued reengineering of business processes and the upgrading of the computer systems. This effort is designed to improve customer service.
- ***Additional Staff Person for Support to Local School Divisions.*** Provides \$84,940 NGF in each year and one staff person for an additional employer representative to help prepare for an expected increase in the number of retirement eligible employers in local school divisions.
- ***Implement Self-Administered Long Term Care Program.*** Includes \$76,356 NGF in each year and one staff person for the state's long-term care program. VRS is in the process of converting this party from a third-party administrator to a self-managed fund.

- **State Corporation Commission**

- ***Increase Appropriation for Uninsured Motorist Fund.*** Increases the NGF appropriation by \$9.4 million in FY 2009 and \$9.5 million in FY 2010 to reflect current projections for the Uninsured Motorist Fund.

- **Virginia College Savings Plan**

- ***Adjust Appropriation for Projected Payments out of the Plan.*** Includes a base adjustment for an additional \$30.0 million NGF in FY 2009 and \$45.0 million NGF in FY 2010 for estimated payments from the plan to all institutions of higher learning and other third parties.
- ***Adjust Appropriation for Salary Regrades and Other Salary Adjustments.*** Provides \$237,977 NGF in both years to reflect additional administrative costs from salary regrades and other salary adjustments.

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- ***Adjust Appropriation for Increased Expenses at the Virginia Prepaid Education Program.*** Provides \$83,531 NGF in FY 2009 and \$169,569 NGF in FY 2010 to reflect increased administrative costs for the Virginia Prepaid Education Program related to federally required disclosures.
- ***Adjust Appropriation for Increased Expenses at the Virginia Education Savings Trust Program.*** Provides \$96,154 NGF in FY 2009 and \$195,193 NGF in FY 2010 to reflect increased administrative costs for the Virginia Education Savings Trust Program related to federally required disclosures.
- ***Adjust Appropriation for Increased Office Space Lease Costs.*** Provides \$474,432 NGF in FY 2009 and \$582,976 NGF in FY 2010 to reflect increased lease cost due to relocation.
- **Virginia Workers' Compensation Commission**
 - ***Increase Funding for Nonpersonal Services.*** Base adjustment provides an additional \$678,400 NGF in the first year and \$679,400 NGF in the second year for increases in nonpersonal services as a result of inflationary and workload increases at the Commission.
 - ***Fund Project Management Office.*** Base adjustment provides \$4.7 million NGF in FY 2009 and \$1.2 million NGF in FY 2010 to continue funding the project management office at the Commission whose charge is implementing the Commission's technology and business processes strategic plans.
- **Virginia Office of Protection and Advocacy**
 - ***Reflect Funding for Mental Health Grant.*** Base adjustment provides \$56,000 NGF each year to reflect the projected funding from a federal mental health grant.